

SENATE BILL NO. 386

INTRODUCED BY G. PEASE

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING FROM 10 PERCENT TO 20 PERCENT THE PENALTY FOR WITHDRAWING FROM A MEDICAL CARE SAVINGS ACCOUNT FUNDS THAT ARE NOT USED FOR AN ELIGIBLE MEDICAL EXPENSE OR FOR LONG-TERM CARE OR OTHER THAN ON THE LAST BUSINESS DAY OF THE ACCOUNT ADMINISTRATOR'S BUSINESS YEAR; AMENDING SECTION 15-61-203, MCA; AND PROVIDING AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-61-203, MCA, is amended to read:

"15-61-203. Withdrawal of funds from account for purposes other than medical expenses and long-term care. (1) An employee or account holder may withdraw money from the individual's medical care savings account for any purpose other than an eligible medical expense or the long-term care of the employee or account holder or a dependent of the employee or account holder only on the last business day of the account administrator's business year. Money withdrawn from an account pursuant to this subsection must be taxed as ordinary income of the employee or account holder.

(2) If the employee or account holder withdraws money from the account other than for eligible medical expenses or long-term care or other than on the last business day of the account administrator's business year, the administrator shall withhold from the amount of the withdrawal and, on behalf of the employee or account holder, pay as a penalty to the department of revenue an amount equal to ~~40%~~ 20% of the amount of the withdrawal. Payments made to the department pursuant to this section must be deposited in the general fund. Money withdrawn from an account pursuant to this subsection must be taxed as ordinary income of the employee or account holder.

(3) For the purposes of this section, "last business day of the account administrator's business year", as applied to an account administrator who is also the account holder or an employee, means the last weekday in December."

NEW SECTION. **Section 2. Applicability.** [This act] applies to money withdrawn from a medical care

1 savings account after October 1, 2005.

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